

August 31, 2012

To: Executive Board

Subject: **FY 2012 Financial Statements and Investment Summary**

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## **Recommendation**

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2012.

## **Analysis**

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the fiscal year ending June 30, 2012.

Foothill Transit's cash position of \$66.8 million is \$3.1 million more than the previous month. This increase of cash is the net change between the uses of cash and sources of cash. Uses of cash include expenditures exceeding operating revenues by \$3.4 million and capital expenditures exceeding grant revenues by \$65,000. Sources of cash include a reduction in due from other governments of \$4.7 million, an increase in deferred revenue of \$328,000 and an increase in accounts payable of 1.6 million.

June 2012 fare revenues were \$1.70 million, which were \$147,000 more than May revenues and 7.22 percent more than the year-to-date budgeted amount. This is a continuation of the trend established in the prior fiscal year even though budgeted FY 2012 fare revenue estimates were approximately ten percent higher than FY 2011 levels. Ridership has remained relatively flat for more than a year, very similar to the economy. This continues to be good news, indicating the economy may be stabilizing with hopes of future improvements.

Operating costs through June were \$61.7 million, which is \$5.5 million less than the budget. These costs are \$2.37 million or 3.9 percent higher than for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

## **Balance Sheet Analysis (Attachment A):**

### Assets

The balance sheet as June 30, 2012 shows total assets at \$229.5 million. This total consists primarily of \$152.6 million in fixed assets and \$66.8 million in cash and investments. The cash and investments balance includes \$5.0 million invested in the Local Agency Investment Fund (LAIF); \$27.3 million in non-interest bearing accounts held with Bank of the West; \$20.4 million in an interest bearing account with Bank of the West; \$5.2 million with Chase; \$4.0 million with Bank of the West and \$2.9 million with Wells Fargo invested in FDIC insured Certificates of Deposits earning interest through

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the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

### Investments (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West are in non-interest earning accounts to qualify for FDIC insurance, eliminating the risk of loss. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of June 2012 was 0.358 percent; slightly less than the previous month's rate of 0.363 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than two years, LAIF interest rates have continued a downward trend with small increases from time to time.

### Liabilities

The accounts payable balance is \$8.6 million. \$6.9 million of this amount represents the amount due and payable to the contractors for April, May and June services. Other amounts payable include fuel costs of \$444,000, \$190,000 due Metro for stored value sales.

### **Operating Revenue and Expense Analysis** (Attachment C):

#### Fare Revenue

June 2012 fare revenue of \$1.70 million was 18.0 percent more than the monthly budgeted amount and \$146,886 more than the previous month. Average monthly revenues through June are \$1.51 million which is \$65,752 or 4.55 percent more than the prior year monthly average. June year-to-date revenues of \$18.5 million are 7.22 percent more than the budgeted amount and \$1.1 million more than the prior fiscal year. These could be indicators that the economy is neither improving nor weakening, even though recent indicators have indicated everything but a stable economy.

State and Local Funding Subsidies of \$52.6 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately 3.09 percent more than planned for in the budget. The major factor contributing to this increase was Measure R funding. Foothill Transit has sufficient funds to meet all of its obligations.

### Expenses

FY 2012 operating expenses were \$61.7 million, compared with the budget of \$67.2 million. This difference of approximately \$5.5 million resulted in an 8.2 percent favorable variance. The majority of this favorable variance is the result of \$1.7 million in lower than budgeted service cost and fuel cost savings of \$2.7 million, with the balance


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spread over several departments and not attributable to any one account. It should be noted that the FY 2012 expenses of \$61.7 million are \$2.37 million more than the prior fiscal year.

Farebox Recovery Ratio

The FY 2012 farebox recovery ratio was 29.43 percent; 3.47 percent more than the performance target of 25.96 percent. The farebox recovery ratio was derived by dividing the total fare revenue (adjusted for the EZ Transit Pass revenue) figure of \$18,145,526 by the total operating expense figure of \$61,654,544. This ratio has increased 0.06 percent from the May 2012 figure of 29.37percent.

Sincerely,



Richard Hasenohrl  
Director of Finance



Doran J. Barnes  
Executive Director

Attachments



Foothill Transit  
Balance Sheet  
As of June 30, 2012

**Assets**

## Current Assets:

Cash	\$ 47,678,421
Investments	19,162,406
Due from government agencies	7,396,411
Other receivables	2,600,670
Other assets	<u>63,833</u>
Total Current Assets	76,901,742
Property & Equipment (net of depreciation)	<u>152,589,152</u>
Total Assets	<u><u>\$ 229,490,894</u></u>

**Liabilities and Equity**

## Current Liabilities:

Accounts payable and accrued liabilities	\$ 8,579,961
Current portion of long term debt	1,000,000
Deferred Revenue	<u>34,842,982</u>
Total Liabilities	<u>44,422,943</u>

**Equity**

Investment in Fixed Assets (net):	
Fund Balance:	<u>185,067,951</u>
Total Equity	<u>185,067,951</u>
Total Liabilities and Equity	<u><u>\$ 229,490,894</u></u>

Summary of Cash and  
Investment Account  
For June 30, 2012

	Interest Rate	Term	Principal Amount/Book Value	Market Value
Cash:				
Bank of the West-Reg. Checking	N/A	Demand Deposit	\$19,884,900	\$19,884,900
Petty Cash	N/A	N/A	400	400
Revolving Fund - Transit Stores	N/A	N/A	1,500	1,500
Bank of the West-Excise Tax	N/A	Demand Deposit	7,374,259	7,374,259
Bank of the West-Money Market	0.150%	Demand Deposit	10,021,423	10,021,423
Bank of the West-Money Market	0.250%	Demand Deposit	4,508,091	4,508,091
Bank of the West-CTAF <sup>3</sup> Fund	0.750%	Demand Deposit	982,247	982,247
Bank of the West-Money Market	0.250%	Demand Deposit	4,905,600	4,905,600
Subtotal Cash on Hand			<u>47,678,421</u>	<u>47,678,421</u>
Unrestricted Investments:				
Chase Business Saving	0.500%	Demand Deposit	5,159,906	5,159,906
Bank of the West-CDARS	N/A	Cert. of Deposit	4,000,000	4,000,000
Wells Fargo-CDARS	0.175%		2,988,000	2,988,000
Treasury Bills			1,998,787	1,998,787
LAIF Investment	0.381%	Demand Deposit	5,015,714	5,015,714
Subtotal Unrestricted Investments			<u>19,162,406</u>	<u>19,162,406</u>
Total Cash and Investments			<u><u>\$66,840,828</u></u>	<u><u>\$66,840,828</u></u>

**Notes:**

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

Foothill Transit  
Statement of Revenue and Expense  
For Month Ended June 30, 2012

	Actual June-12	Budget June-12	Variance Favorable (Unfavorable)	Actual June-11
<b>Operating Revenue</b>				
Farebox	\$11,322,387	\$11,719,600	(3.39%)	\$10,962,907
Pass Sales	3,202,801	2,658,400	20.48%	3,031,401
TAP Cash Purse	2,293,718	1,422,600	61.23%	2,082,281
MetroLink/Access Services	72,260	26,500	172.68%	33,033
EZ Transit Pass	1,596,360	1,415,400	12.79%	1,246,879
Total Operating Revenue	18,487,526	17,242,500	7.22%	17,356,501
<b>Non-Operating Revenue</b>				
FTA Sec 5307 Operating	761,015			4,239,628
FTA Sec 5307 ARRA				397,988
Transportation Development Act (TDA)	17,433,551	21,717,200	(19.72%)	14,090,385
STA	3,295,652	3,250,000	1.40%	5,280,754
Prop A 40% Discretionary	13,414,216	12,000,000	11.79%	12,740,786
Prop A & C Interest				(10,918)
Prop A 40% BSCP	3,796,788	2,900,000	30.92%	2,667,971
Prop C Base Restructuring	1,775,736	1,700,000	4.46%	1,741,088
Prop C BSIP	826,733	811,000	1.94%	810,601
Prop C Transit Service Expansion	295,912	290,000	2.04%	290,136
Transit Security-Operating	617,658	600,000	2.94%	543,760
Measure R Operating	8,779,338	6,290,000	39.58%	7,410,667
Excise Tax Credit				
Gain on Sale of Fixed Assets	3,154			105,429
ARRA				7,886
Auxiliary Revenue	1,634,876	1,500,000	8.99%	1,893,429
Total Non-Operating Revenue	52,634,629	51,058,200	3.09%	52,209,591
Total Revenue	71,122,154	68,300,700	4.13%	69,566,092
<b>Available Capital Funding</b>				
Capital Grants	17,231,368			15,811,066
Other				
Total Revenue and Capital Funding	88,353,522	68,300,700		85,377,158
<b>OPERATING EXPENSES</b>				
Operations	51,707,219	56,172,700	7.95%	50,130,059
Marketing and Communications	1,394,162	1,594,500	12.56%	1,239,357
Information Technology	1,379,715	1,739,000	20.66%	1,253,238
Administration	1,602,380	1,778,050	9.88%	2,114,518
Procurement	805,176	637,850	(26.23%)	
Sales and Service	1,735,282	1,748,400	0.75%	1,682,098
Finance	1,223,997	1,264,200	3.18%	1,041,172
Safety and Security	665,912	803,000	17.07%	637,635
Planning	541,960	686,600	21.07%	591,328
Building Management	598,739	726,400	17.57%	594,695
Total Operating Expenses	61,654,544	67,150,700	8.18%	59,284,098
<b>Capital and Other Expenses</b>				
Capital	17,018,402		N/A	18,296,468
Interest			N/A	
Dial-A-Ride	718,033		N/A	578,712
Special Services	131,384		N/A	202,967
Other Misc. expense	99,694		N/A	580,393
Total Capital and Other Expenditures	17,967,512		N/A	19,658,540
Increase (Decrease) of Revenues Over Expenditures	\$ 8,731,467			\$ 6,434,521

